

TRANSCRIPT OF PROCEEDINGS

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of:	: CC Docket
Petition of WorldCom, Inc., Pursuant	: No. 00-218
to Section 252(e) (5) of the	:
Communications Act for Expedited	:
Preemption of the Jurisdiction of the	:
Virginia State Corporation Commission	:
Regarding Interconnection Disputes	:
with Verizon Virginia, Inc., and for	:
Expedited Arbitration	:
	:
In the Matter of:	: CC Docket
Petition of Cox Virginia Telecom, Inc.,	: No. 00-249
Pursuant to Section 252(e) (5) of the	:
Communications Act for Preemption	:
of the Jurisdiction of the Virginia	:
State Corporation Commission Regarding	:
Interconnection Disputes with Verizon	:
Virginia, Inc., and for Arbitration	:
	:
In the Matter of:	: CC Docket
Petition of AT&T Communications of	: No. 00-251
Virginia, Inc., Pursuant to Section	:
252(e) (5) of the Communications Act	:
for Preemption of the Jurisdiction	:
of the Virginia Corporation Commission	:
Regarding Interconnection Disputes with	:
Verizon Virginia, Inc.	:
- - - - -	x Volume 8

Pages 2161 thru 2469

Washington, D.C.
October 17, 2001

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- - - - - x Volume 8

Wednesday, October 17, 2001
Washington, D.C.

The hearing in the above-entitled matter came on, pursuant to Notice, at 9:45 a.m.

BEFORE:

DOROTHY ATTWOOD, Arbitrator

KATHERINE FARROBA, Staff

JEFFREY DYGERT, Staff

JOHN STANLEY, Staff

FCC Staff Members:

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WILLIAM KEHOE

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C O N T E N T S

PANEL	PAGE
SUBPANEL 2: PETER J. D'AMINO DONALD E. ALBERT DONATO GRIECO DAVID L. TALBOTT JOHN D. SCHELL	
Cross-examination by Mr. Edwards	2175
Cross-examination by Mr. Keffer	2202
Cross-examination by Mr. Monroe	2235
Questions from Staff	2267
SUBPANEL 4: PETER J. D'AMICO DONALD E. ALBERT DONATO GRIECO DAVID L. TALBOTT JOHN D. SCHELL	
Cross-examination by Mr. Monroe	2302
Questions from Staff	2352
Cross-examination by Mr. Monroe	2330
Redirect examination by Mr. Edwards	2370
Cross-examination by Mr. Edwards	2373
Cross-examination by Mr. Monroe	2386

2166

E X H I B I T S

NUMBER	MARKED	ADMITTED
AT&T No. 38	2225	2330
AT&T No. 39	2329	2330

RECORD REQUESTS

NUMBER	PAGE
1 .	2224
2 .	2224
3 .	2285
4 .	2370

1 P R O C E E D I N G S

2 MR. DYGERT: Good morning. Good to see
3 everyone again today. I understand that we have a
4 statement about the motion to compel from AT&T and
5 Verizon and WorldCom, I guess, potentially.

6 MR. KEFFER: Mark Keffer for AT&T.

7 After the motion was filed yesterday,
8 there had been additional exchanges of information,
9 and at this point Verizon has either provided the
10 information that AT&T and WorldCom have requested
11 or has committed to provide information over the
12 next few days that will be responsive to the
13 request, and we just had a conference in the
14 hallway scoping out the extent of the information
15 that's going to be provided, and at this point I
16 can say that if we receive the information and the
17 access to the documents that was discussed this
18 morning, we will be satisfied, and that should
19 obviate the need to argue the motion to compel this
20 morning.

21 MS. CHARYTAN: This is Lynn Charytan for
22 Verizon. We are satisfied with what we have agreed

1 to.

2 MR. DYGERT: You don't feel the need to
3 put more detail about your agreement on the record?

4 MS. CHARYTAN: Verizon has committed to
5 get to AT&T and all the outstanding requests. Some
6 of them will be due--some of them we will give on
7 Thursday, some on Friday, and we have one agreement
8 for some information that we are going to be giving
9 on Wednesday.

10 MR. DYGERT: Wednesday today?

11 MR. KEFFER: No, Wednesday a week. That
12 is information relates to items going to the
13 nonrecurring charges. That's not scheduled for
14 hearing until the week after next, and that should
15 give us enough time to review the information and
16 deal with it accordingly.

17 MR. DYGERT: All right. Well, thanks for
18 working it out.

19 I wanted to take a couple of minutes to
20 discuss briefly some matters relating to the cost
21 hearing next week. I understand that most of
22 Verizon's cost counsel are not here, but I think

1 that this information could be easily conveyed to
2 them.

3 First, we would like to be prepared to
4 start Monday morning at 9:00 because we are
5 becoming concerned that there is a great volume of
6 material to get through in those two weeks of
7 hearings, and we haven't done the preliminary
8 matters, like moving exhibits into the record, so
9 we thought we would try to squeeze an extra half
10 hour out that morning.

11 In that regard, we would like to have the
12 parties come prepared to the extent they haven't
13 already done so, to move their exhibits for that
14 portion of the hearing into the record. With that,
15 we would like to have them have enough copies of
16 their exhibit lists that have the appropriate
17 numbers on them, so they can be passed out to
18 certainly opposing counsel and also to FCC staff so
19 we can have a useful exhibit list that's available
20 first thing in the morning. And I guess that will
21 also include having or also require that the
22 exhibits be prenumbered and ready to go.

1 And, to the extent possible, we would like
2 you to discuss with each other before Monday
3 morning any objections that any of the parties
4 anticipate having to an opponent's exhibits, so
5 those can hopefully be worked out as much as
6 possible before we start. To the extent that can't
7 happen, we will attempt quickly to deal with those
8 first thing on Monday morning.

9 And as with the cost exhibits, excuse me,
10 as with the noncost exhibits, we would like you to
11 provide three copies of everything that has been
12 previously filed, so we could put them in the right
13 places in the FCC, and I believe we asked for 10
14 copies of things that had not been previously
15 filed.

16 As with the cross exhibits in the noncost
17 part of the hearing, we would like you to exchange
18 cross exhibits the night before--at the latest, the
19 night before, so parties could know what they are
20 likely to meet on the cross-examination of their
21 witnesses.

22 And lastly, on the question of opening

1 statements, I gather from comments that parties
2 have made during the scheduling discussions for the
3 cost hearing that counsel plan to make opening
4 statements. What we would like to do is have
5 those, as with the last part of the hearing, be
6 short. 15 minutes per side, and I think that since
7 the petitioners are sponsoring the same model, they
8 can divide their 15 minutes as they choose, or one
9 side or one petitioner could take all of it, for
10 what we care.

11 So, those are the preliminary matters that
12 strike us as useful to discuss before the cost
13 proceeding gets going. If you all have any other
14 questions that we could address at this point on
15 that, we would be happy to.

16 MR. EDWARDS: I have a question on exhibit
17 numbering. Are you going to pick it up at Verizon
18 one again, or should it be the next sequential
19 number after the noncost phase?

20 MR. DYGERT: I think the next one, the
21 next sequential one.

22 Anything else?

1 MR. KEFFER: I would just note that
2 WorldCom and AT&T already submitted their cost
3 exhibits, so I think we have already complied with
4 your directive. I think we already provided the
5 three copies that you requested, and if I'm wrong
6 in that regard, please let me know now. I'm
7 assuming we have already done our homework here.

8 MS. PREISS: I know you did that on your
9 joint exhibits. It was unclear to me at the
10 prehearing conference whether there were any other
11 exhibits that either AT&T or WorldCom was
12 sponsoring just by itself, so if there are--if
13 there's anything you haven't done already, you
14 would do it. But I know you already did the joint.
15 And if I don't--

16 MR. KEFFER: I think the only individual
17 AT&T exhibit was some additional testimony of
18 Mr. Kirchberger. I believe that's already been
19 marked and submitted, along with the other
20 documents, but I will double-check that.

21 MS. PREISS: Okay. So that leaves
22 Verizon's cost exhibits.

1 MR. EDWARDS: Do you want those filed here
2 or do you want them filed over at the filing room
3 at the FCC?

4 MS. PREISS: John says here is fine. He's
5 the boss.

6 MR. EDWARDS: Here is fine, but it may be
7 that we prefer to do it over at the FCC, I'm not
8 sure. Does it matter?

9 MS. PREISS: These are for the ones that
10 have already been previously filed or all of them,
11 or are they one and the same?

12 MR. EDWARDS: They would be one and the
13 same.

14 MS. PREISS: Okay. At the FCC is fine.

15 MR. EDWARDS: Okay, great.

16 MR. DYGERT: All right. I think that's it
17 for the preliminary matters that we needed to
18 discuss. That should take us to the point where we
19 can begin--resume with the network architecture
20 panels, starting with subpanel--what was previously
21 labeled subpanel two, including issues III-1,
22 III-2, and IV-1. Which side is going first on

1 cross for that? Should we flip a coin again?

2 MR. KEFFER: I'm happy to put my panel on
3 first, so...

4 MR. MONROE: That's fine.

5 (Pause.)

6 MR. DYGERT: Good morning, gentlemen,
7 would you please identify yourselves for the
8 record.

9 MR. GRIECO: Don Grieco, WorldCom.

10 MR. TALBOTT: David L. Talbott, AT&T.

11 MR. SCHELL: John D. Schell from AT&T.

12 MR. DYGERT: And you are all still under
13 oath from the earlier parts of the proceeding.

14 Go ahead.

15 CROSS-EXAMINATION

16 MR. EDWARDS: Thank you, Mr. Dygert.

17 Good morning, gentlemen, we are going to
18 be talking about issues III-1, III-2, and IV-1 all
19 relating to transit service.

20 Mr. Grieco, would you agree with me that
21 transit service is traffic that does not originate
22 or terminate on Verizon's network, but that for

1 that traffic Verizon in effect acts as a conduit
2 between two other carriers? Is that correct?

3 MR. GRIECO: I would agree with that, yes.

4 MR. EDWARDS: And you would agree with me
5 that Verizon does not refuse to provide transit
6 traffic service; correct?

7 MR. GRIECO: Up until the contract, I
8 guess I believed that to be the case, but it seems
9 like you're hedging on that a bit.

10 MR. EDWARDS: Well, as we sit here today,
11 is it your belief that Verizon refuses to provide
12 transit traffic service or that it agrees to
13 provide transit traffic service up to a certain
14 level?

15 MR. GRIECO: The contract language that I
16 have seen would indicate you will continue to
17 provide transit service up to a certain threshold
18 between two particular CLECs.

19 MR. EDWARDS: Is it your understanding
20 that the contract language sets that threshold at
21 the DS1 level?

22 MR. GRIECO: Yes.

1 MR. EDWARDS: And that Verizon, up to the
2 DS1 level, will agree to provide transit service at
3 TELRIC rates?

4 MR. GRIECO: I don't know if it was a
5 TELRIC rate specifically. I would have to check.

6 MR. EDWARDS: You don't remember, sitting
7 here today, what Verizon's proposal is?

8 MR. GRIECO: I don't remember exactly what
9 rates we are discussing in the contract, but I know
10 you were committing to a transit up to DS1 for the
11 traffic.

12 MR. EDWARDS: Mr. Talbott, Mr. Schell, are
13 you familiar with Verizon's proposal on the
14 transport traffic?

15 MR. SCHELL: Yes, I am.

16 MR. EDWARDS: Am I correct that Verizon
17 agrees to provide transit traffic or transit
18 service--what's the correct term? Is that transit
19 service?

20 MR. SCHELL: That's fine.

21 MR. EDWARDS: That Verizon provides
22 transit service up to the DS1 level at TELRIC

1 rates?

2 MR. SCHELL: Verizon agrees to provide
3 transit service up to a DS1 level at TELRIC rates,
4 but beyond the hundred--only up to 180 days from
5 the date of the initial Interconnection Agreement.
6 In other words, if the traffic is on Verizon's
7 tandem beyond the initial 180 days from the
8 effective date of the agreement, or if the DS1
9 threshold is achieved, then Verizon proposes to add
10 additional non-TELRIC-based charges for that
11 service.

12 MR. EDWARDS: All right. Mr. Grieco, is
13 that consistent with your understanding of
14 Verizon's proposal?

15 MR. GRIECO: I would have to read the
16 language again myself. That sounds about right,
17 but I can't...

18 MR. EDWARDS: Okay. Now, Mr. Grieco, do
19 you agree that there is a dispute between the
20 parties regarding whether Verizon has an obligation
21 at all to provide transit service?

22 MR. GRIECO: Yes, I would agree that we

1 disagree on that point.

2 MR. EDWARDS: And is it fair to say that
3 the petitioners look to 251(A)(1) of the Act for
4 support for their position that Verizon has an
5 obligation to provide transit service, and
6 specifically the language there says that each
7 telecommunications carrier has the duty to
8 interconnect directly or indirectly with the
9 facilities and equipment of other
10 telecommunications carriers?

11 MR. GRIECO: Yes.

12 MR. EDWARDS: And is it fair to say that
13 the petitioners' position is based on the language
14 in the Act that says that each telecommunication
15 carrier has a duty to interconnect indirectly?

16 MR. GRIECO: Yes, which implies that a
17 third party must be in between somewhere providing
18 this transit service.

19 MR. EDWARDS: Would you agree with me that
20 when Verizon provides transit services, it is
21 satisfying its duty to connect directly with either
22 of the party, both the originating and terminating

1 parties?

2 MR. MONROE: Excuse me, Mr. Dygert, I
3 don't mind this line of questioning. I just want
4 to caution counsel that this witness isn't an
5 attorney; and, to the extent he's asking for
6 conclusions on Verizon's satisfaction of its
7 obligations under the Act, he may or may not be
8 able to answer.

9 MR. EDWARDS: No objection to the
10 objection, but actually I think I'm asking a purely
11 factual interconnection question here. Let me see
12 if I can do it better.

13 Let's suppose that there is LEC A Verizon
14 and LEC B, all right? And traffic is originated at
15 LEC A to terminate on LEC B, and Verizon is
16 providing transit service between LEC A and LEC B
17 in that situation.

18 Are you with me so far?

19 MR. GRIECO: Yes.

20 MR. EDWARDS: Would you agree with me that
21 Verizon is interconnected with directly with LEC A
22 in that situation?

1 MR. GRIECO: Yes, you would have to be
2 directly connected with LEC A for us to hand the
3 traffic to you.

4 MR. EDWARDS: And would you agree with me
5 that Verizon is directly connected with LEC B in
6 that situation?

7 MR. GRIECO: Yes, you would be directly
8 connected with them.

9 MR. EDWARDS: And when you point to the
10 obligation of a telecommunications carrier to
11 interconnect indirectly, am I correct that what
12 you're talking about is some type of indirect
13 interconnection between LEC A and LEC B?

14 MR. GRIECO: That is correct, or if--make
15 it work in both directions. If the traffic
16 originated on a Verizon--from a Verizon customer
17 that was using a LEC A, for instance, to get to LEC
18 B, it would work equally in that direction as well.

19 MR. EDWARDS: Mr. Talbott or Mr. Schell,
20 let me ask you to look at AT&T Exhibit 3 page
21 50--I'm sorry, I moved too quickly. Mr. Grieco,
22 let me ask you one more question, one more series

1 of questions.

2 Look at your WorldCom Exhibit 3 at page
3 59, which is your direct testimony on the
4 nonmediated issues.

5 MR. GRIECO: What was the page again?

6 MR. EDWARDS: Page 59. Sorry for the
7 false start there.

8 MR. GRIECO: Okay.

9 MR. DYGERT: That's WorldCom issue--excuse
10 me, Exhibit Number--

11 MR. EDWARDS: 3.

12 MR. DYGERT: Thank you.

13 MR. EDWARDS: Yes, sir.

14 Page 57, line 11 and 12.

15 Are you with me, sir?

16 MR. GRIECO: Yes.

17 MR. EDWARDS: There you are talking about
18 indirect interconnection, and I assume what you're
19 talking about there is WorldCom being, for example,
20 LEC A in my example and then indirectly
21 interconnecting with a LEC B with Verizon providing
22 transit service; is that correct?

1 MR. GRIECO: Yes, that's an example of
2 what sentence 11 and 12 refer to, yes.

3 MR. EDWARDS: All right. And then you say
4 in some situations it's very efficient to do it
5 that way or it's most efficient I think is your
6 term, most efficient form of interconnection to two
7 carriers that exchange only minimal amounts of
8 traffic. Do you see that?

9 MR. GRIECO: Yes.

10 MR. EDWARDS: Does that imply, then, that
11 it becomes a level of traffic at which it becomes
12 more efficient for those two carriers to connect
13 directly with each other?

14 MR. GRIECO: Yeah, there would be a point
15 at some traffic volume that would warrant or that
16 would be advantageous for the two LECs in your
17 example, at LEC A and LEC B to establish a direct
18 connection.

19 MR. EDWARDS: And the \$64,000 question is
20 what that level of question is; right?

21 MR. GRIECO: I anticipated that, yes.

22 MR. EDWARDS: And I'm correct that your

1 proposed contract language does not define minimal
2 amount or does it define that level of volume at
3 which WorldCom believes it becomes most efficient
4 to connect directly?

5 MR. GRIECO: No, it does not spell that
6 out.

7 MR. EDWARDS: And, Mr. Schell, I'm correct
8 that AT&T's language does not either; correct?

9 MR. SCHELL: That's correct.

10 MR. EDWARDS: All right, let's turn to
11 your Exhibit 3, Mr. Talbott and Mr. Schell. AT&T
12 Exhibit 3 page 50, lines five, six, and seven.

13 Now, we are back, when we talk about the
14 talk transit service at least from Verizon's
15 perspective, we are back talking about the tandem
16 exhaust issue that we talked about last week;
17 correct, Mr. Schell?

18 MR. SCHELL: That would be one aspect of
19 it, I presume, from Verizon's perspective.

20 MR. EDWARDS: Well, I mean, that's what we
21 say in our testimony; right?

22 MR. SCHELL: Yes.

1 MR. EDWARDS: And here, you deal
2 specifically with that issue, and I believe your
3 testimony is that you believe that Verizon's rates
4 for tandem interconnection are designed to fully
5 compensate Verizon for its forward-looking costs to
6 deploy additional capacity; is that your testimony?

7 MR. SCHELL: I believe the TELRIC rate
8 structure is designed to do that.

9 MR. EDWARDS: So, it's your belief then
10 that TELRIC rates for tandem interconnection, not
11 only cover the costs incurred for that
12 interconnection, but it's your belief that those
13 rates also provide revenue to Verizon to purchase
14 and deploy additional tandem capacity?

15 MR. SCHELL: I believe they recover
16 Verizon's costs of providing the tandem service and
17 provide a reasonable rate of return to the firm.

18 MR. EDWARDS: That's not my question,
19 though, Mr. Schell.

20 My question is: Do you believe that those
21 rates cover the costs of tandem interconnection and
22 also provide Verizon sufficient revenue to purchase

1 and deploy additional tandem capacity?

2 MR. KEFFER: I'm going to object to the
3 question. These witnesses are not cost rate
4 witnesses. Those witnesses will be available
5 starting next week, and those questions are best
6 directed at them.

7 MR. EDWARDS: Well, I agree with that, but
8 for the fact that in the testimony that I have
9 cited they make that specific statement, so they
10 have opened themselves to those questions.

11 MR. DYGERT: Go ahead and answer the
12 question, please.

13 MR. SCHELL: All right. Part of the
14 problem I'm having, sir, is trying to parse the
15 question because really from my perspective, TELRIC
16 is forward-looking recovery of cost. I mean, it's
17 recovery of your cost based on forward-looking
18 costs; and therefore, if you're adequately
19 recovering the costs plus a return to the firm,
20 then that should provide you source of funds to
21 continue to augment that switching vehicle or to
22 put in new switching vehicles if necessary.